

CITY COMMISSION MINUTES

November 19, 2010

8:00 AM

The special meeting of the Junction City City Commission was held on Friday, November 19, 2010 with Mayor Mike Rhodes presiding.

The following members of the Commission were present: Terry Heldstab, Scott Johnson, Mike Rhodes, Ken Talley, and Jack Taylor. Staff present was: City Manager Gerry Vernon and City Clerk Tyler Ficken.

NEW BUSINESS

A work session to update the City Commission on City of Junction City Finances. City Manager Vernon stated that current cost cutting measures have had a positive impact on City finances; at year end there will be \$1.6 million in the bank. Utility rate increases have resulted in \$356,000; furloughs have saved \$66,500. Cash flow is available to make payments. Some of the money is not in the correct place, so some funds will have negative balances at year end. Bond payments in 2011 will put the City in a \$3.4 million deficit by the end of 2011; the September bond payment is large. This is a long term problem because the debt is long term; debt payments do not drop below \$10 million per year until 2027. This is a revenue problem and not an expense problem; revenues need to increase. This is unpopular for politicians; tough decisions need to be made. The 2012 budget is estimated to be 41 mills. George K. Baum our bond company stated that they expected there to be a 10 to 15 mill increase in the future. Also, they did not have knowledge of the entire debt. George K. Baum did not have knowledge of KDOT, KDHE, and EDC incentives debt; the debt was not communicated to the bond council. Energy needs to be turned toward the future and solving these problems. This is a revenue issue. Revenues need to exceed expenditures. Revenues need to be raised; this Commission and the next need to work on this issue. City staff will come up with a plan in the next four to six weeks. Participants are staff, Commission and community. Someone will need to choose what to do. The Commission needs to consider hold some kind of Town Hall meetings on this issue. Eight to ten round tables with problems and options and pick some solutions. City staff would like to start the round tables in January.

City Manager Vernon stated that the City needs to consider reducing the utility fall back to amount. The business occupation tax needs to be reconsidered by the Commission. Revenue increases add up in the long run, and they need to be considered carefully by the Commission; all revenue options are important. Property taxes need to be considered; the City needs to step off of the tax rollercoaster. Need to work to collect

revenues when Ft. Riley is bursting at the seams. An additional Sales Tax could be considered. Need to examine refinancing debt; the sale will not be easy. New bonds will be at a higher interest rate. Need to work on a new long term plan to correct the ship for the long term. The employees are tapped out; cuts will require a loss of services which are typical to City business. Need to work on refinancing quickly and work toward completion before September bond payment. It is time for someone other than City employees to take the hit.

Need to work on a plan to increase special assessment payments which are delinquent at a rate of 60%. This will end up costing the City \$56 million dollars over the term of the debt. Need to look at revising ordinance G-1062. Problem will be fixed one building permit at a time. People do not have the funds to pay taxes on 10 or 20 lots to build a smaller number of homes. The Commission can consider impact fees to include \$1,500 water fee and \$1,500 wastewater fee; similar fee is not allowed for streets in Kansas.

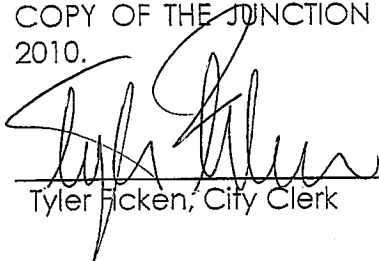
Commissioner Johnson stated that Olivia Farms is not building because their lots are too small and too expensive. City Manager Vernon stated that the types of homes built at Olivia Farms will be driven by the market and not the government. Commissioner Johnson stated that it is less expensive to build in Manhattan than Junction City; do not tax people to death. City Manager Vernon stated there is a balance between taxes and services that needs to be made; people will not live in Junction City if taxes are too high but also if essential functions are not provided. Commissioner Johnson stated that his predictions were correct in the past; the City needs to move back to the basics. City Manager Vernon stated that staff has already made cuts to the bone and are at providing basic services; City employees are tapped out. This Commission and future Commission will need to work hard. Commissioner Johnson stated that Jerry Moran will be at the Opera House later in the day; Junction City needs to know how this City can be aided in paying for social services. Commission Talley stated that he liked the idea of holding round table discussions with the community; need to work with bankers to find solutions, and future Commissioners need to be a part of the discussion. Commissioner Talley stated that the City needs to evaluate what services can be eliminated; need to work on taking smaller steps and not big leaps. Commissioner Heldstab stated that he would like to see the building permit ordinance on the Commission agenda. Commissioner Johnson stated that the ordinance would only reward Olivia Farms. Commissioner Johnson stated that Olivia Farms has the money to pay their taxes. Commissioner Rhodes suggested a moratorium on the building permit ordinance. Commissioner Johnson stated that if a person cannot afford to pay their taxes, then a bank will not likely lend them money to build homes. Commissioner Johnson stated that the Mayor's Task Force had some

good ideas. City Manager Vernon stated that property with back taxes will lose the taxed amounts due prior to the tax sale. Commissioner Heldstab stated that communication needs to move forward with Ft. Riley officials, state representatives, and the new Governor; funds have been made available to other communities. Commissioner Taylor stated that the people on base are interested in their careers and not causing waves, and so the Commission needs to look to elected representatives. Commissioner Talley agreed with Commissioner Taylor that the State Task Force has not helped the City. Commissioner Taylor stated that this is an older Community that is on a fixed income; businesses cannot find people who want to work. Commissioner Johnson stated that there are simply too many lots, some are good and some are bad; a lot of the debt is a result of EDC projects. City Manager Vernon stated that the City did overextend itself with development incentives. City Manager Vernon stated that the city is now able to make payments, but additional revenues are required. The debt payments are there. Commissioner Taylor stated that he is willing to support the staff on a plan going forward; the past is finished and people need to move on. Commissioner Johnson stated that he would like to have town hall meetings in January; people in Junction City need to wake up. Commissioner Taylor stated that if Junction City has a problem, then it is a problem for the region and state. Commissioner Johnson stated that the government is too generous with other people's money. Commissioner Talley thanked the employees for enduring what they have. Commissioner Taylor stated that seniors have communicated to him that this economy feels like the Great Depression again. City Manager Vernon stated that they City will consider hiring an outside facilitator to manage the town hall meeting sessions.

ADJOURNMENT

Commissioner Talley moved, seconded by Commissioner Heldstab to adjourn at 9:10 AM Ayes: Heldstab, Johnson, Rhodes, Talley, Taylor. Nays: none. Motion Carried.

APPROVED AND ACCEPTED THIS 21th DAY OF DECEMBER 2010 AS THE OFFICIAL COPY OF THE JUNCTION CITY CITY COMMISSION MINUTES FOR NOVEMBER 19, 2010.


Tyler Ficken, City Clerk


Mike Rhodes, Mayor